



## Our Vision

*In partnership with people for the provision of financial and technical services of the highest quality for sustainable growth and development both locally and regionally.*


## Our Mission

*To mobilize and efficiently manage funds and other resources to maintain our lead position in providing the financial and technical services necessary to promote and sustain national socio-economic development with due regard to the environment, stakeholder satisfaction and profitability.*



## TABLE OF CONTENTS

<b>1. ABBREVIATIONS</b>	<b>5</b>
<b>2. MEMBERS OF THE BOARD OF DIRECTORS.....</b>	<b>6</b>
<b>3. LETTER OF TRANSMITTAL.....</b>	<b>7</b>
<b>4. CHAIRMAN'S REVIEW.....</b>	<b>8</b>
<b>5. DAIDB HIGHLIGHTS AT A GLANCE.....</b>	<b>12</b>
<b>PART 1 THE ECONOMY OF DOMINICA.....</b>	<b>13</b>
1. ECONOMIC PERFORMANCE OF DOMINICA ; 2005-2006.....	13
2. CONTRIBUTION OF DAIDB TO ECONOMIC DEVELOPMENT OF DOMINICA.....	15
<b>PART II THE PERFORMANCE OF DAIDB BY SECTOR/ ACTIVITY.....</b>	<b>17</b>
1. AGRICULTURE AND FISHING.....	17
2. MANUFACTURING, SERVICES & TRANSPORTATION	18
3. TOURISM.....	19
4. HOUSING.....	19
5. EDUCATION.....	21
6. PERSONAL – OTHER.....	21
7. TECHNICAL ASSISTANCE.....	21
8. SPECIAL PROJECTS.....	22
<b>PART III ORGANIZATION AND MANAGEMENT.....</b>	<b>23</b>
1. BOARD OF DIRECTORS AND COMMITTEES.....	23
2. HUMAN RESOURCE DEVELOPMENT.....	23
3. PROMOTION AND OUTREACH ACTIVITIES.....	25
<b>PART IV. FINANCIAL PERFORMANCE.....</b>	<b>27</b>
1. FINANCIAL RESULTS FOR 2005/2006.....	27
▪ NET INCOME FROM OPERATIONS	
▪ INCOME	
▪ EXPENSES	
▪ ASSETS	
▪ LIABILITIES	
▪ SHARE HOLDERS' EQUITY	
2. AUDITOR'S REPORT AND FINANCIAL STATEMENTS.....	29
<b>PART VI FUTURE OUTLOOK.....</b>	<b>30</b>



**PART VII STAFF OF DAIDB.....**  
**31**

**TABLES .....**  
**33**

**TABLE 1 SUMMARY OF LOAN APPROVALS BY SECTOR**  
**TABLE 2 SUMMARY OF LOAN DISBURSEMENTS BY SECTOR**  
**TABLE 3 SECTOR PERFORMANCE INDICATORS**  
**TABLE 4 AGRICULTURE LOAN APPROVALS BY SUB- SECTOR**  
**TABLE 5 MANUFACTURING, SERVICES & TRANSPORTATION**  
**LOAN APPROVALS BY PURPOSE**  
**TABLE 6 TOURISM LOAN APPROVALS BY PURPOSE**  
**TABLE 7 HOUSING LOAN APPROVALS BY PURPOSE**  
**TABLE 8 STUDENT LOAN APPROVALS BY COURSE OF STUDY**  
**TABLE 9 PERSONAL LOAN APPROVALS BY PURPOSE**  
**TABLE 10 FINANCIAL PROFILE**



## ABBREVIATIONS

APAD	Agro Processors Association of Dominica
CARDI	Caribbean Agriculture Research and Development Institute
CDB	Caribbean Development Bank
DAIDB	Dominica Agricultural Industrial & Development Bank
DBPL	Dominica Banana Producers Ltd.
EC	Eastern Caribbean
ECCB	Eastern Caribbean Central Bank
EU	European Union
EURO	Monetary Unit of the European Union
FEEF	Foreign Exchange Equalization Fund
GDP	Gross Domestic Product
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
mn	million
NBD	National Bank of Dominica (formerly National Commercial Bank)
NDC	National Development Corporation
SMP	Special Mortgage Programme
US\$	United States dollar
\$	Represents Eastern Caribbean dollars
throughout	unless stated otherwise

## MEMBERS OF THE BOARD OF DIRECTORS



Mr. Ambrose M. J. Sylvester  
CHAIRMAN



Mrs. Joyce Dear  
DEPUTY CHAIRPERSON



Mr. Martin Charles  
DIRECTOR



Mr. Elford Henry  
DIRECTOR



Mr. Hubert Joseph  
DIRECTOR



Ms. Bernadette  
Philbert



Mr. Reuben Thomas  
DIRECTOR



Mr. Leon LeBlanc  
DIRECTOR



Mr. Kertist Augustus  
DIRECTOR



Ms. Roan Thomas  
BANK SECRETARY



## MEMBERS OF THE BOARD OF DIRECTORS

Mr. Ambrose M.J. Sylvester	- CHAIRMAN*
Mrs. Joyce Dear	- DEPUTY CHAIRMAN*
Ms. Bernadette Philbert	- DIRECTOR*
Mr. Martin Charles	- DIRECTOR
Mr. Reuben Thomas	- DIRECTOR
Mr. Elford Henry	- DIRECTOR
Mr. Kertist Augustus	- DIRECTOR
Mr. Leon LeBlanc	- DIRECTOR
Mr. Hubert Joseph	- DIRECTOR

\*Prior to March 8, 2006 these positions were held by the following:

Dr. Bernard Yankey	- CHAIRMAN
Mr. Swinburne Lestrade	- DEPUTY CHAIRMAN
Dr. Maria Bellot	- DIRECTOR

**Dominica Agricultural Industrial & Development Bank**  
Cnr. Charles Ave and Rawles Lane,  
Goodwill, Commonwealth of Dominica

Tel. No.	767-448-2853
Facsimile	767-448-4903
E-mail	<a href="mailto:aidbank@cwdom.dm">aidbank@cwdom.dm</a>
Website	<a href="http://www.aidbank.com">www.aidbank.com</a>

### SOLICITORS

Alick Lawrence, Chambers, Roseau

### AUDITORS

PricewaterhouseCoopers

### BANKERS

National Bank of Dominica

## CHAIRMAN'S LETTER OF TRANSMITTAL

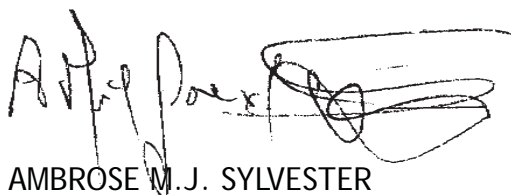
September 30, 2006

Dear Prime Minister,

Pursuant to Section 22(1), Chapter 74:03 of the Laws of the Commonwealth of Dominica, 1990, Revised Edition, I have the honour to submit to you the Annual Report on Operations and Audited Financial Statements of the Dominica Agricultural Industrial and Development Bank for the Financial Year ended June 30, 2006.

Yours faithfully

DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK



AMBROSE M.J. SYLVESTER  
CHAIRMAN

Honourable Roosevelt Skerrit  
Prime Minister and Minister for Finance, Planning, National Security and  
Overseas Nationals  
Government of the Commonwealth of Dominica  
Financial Centre  
Kennedy Avenue  
Roseau



## CHAIRMAN'S REVIEW



Mr. Ambrose M. J. Sylvester


CHAIRMAN

The Raison d'être for the establishment of the Dominica Agricultural Industrial and Development Bank (DAIDB) is to promote and influence economic development and to mobilize funds for this development. The Bank therefore has a critical role to play in the social and economic development of Dominica.

Notwithstanding its mandate, global economic events and circumstances continue to cause a gradual shift away from its intended purpose. In particular, the contribution of agriculture to Gross Domestic Product (GDP) has deteriorated steadily since the early 1990's and has adversely affected developments in the other sectors for a number of years. Of course we are all aware that the agricultural sector has been dominated by the banana sub-sector which itself has seen a phasing out of its preferential regime over time.

In the latter half of the 1980's the period when banana production peaked, bananas contributed approximately \$106 mn in foreign exchange earnings. By 1994, its contribution slipped by almost 50 percent from the above period to record \$55.0 mn. In 2005 foreign exchange earnings from bananas had plummeted to \$17.27 mn





It is therefore opportune for efforts at DAIDB to be concentrated towards a new strategic direction consistent with the advent of financial liberalization, which itself has caused a dramatic change in the environment in which development finance institutions like the DAIDB operate. In addition the DAIDB will have to conform to international best practices aimed at improving financial reporting standards, internal control, risk management and corporate governance among others, if it is to cope with the challenges confronting Development Banks in this new financial landscape.

Whatever the strategic direction taken, it must also pay special regard to financial and economic development initiatives in the region and of course in the domestic economy.

In 2005, the Dominica economy continued its buoyancy and achieved real growth of 3.39 percent. The performance was characterized with mixed results depicting an increase in manufacturing, while the agricultural, construction and tourism sectors declined. It is expected that continued growth in the economy would spur developments in the productive sector, but this was not reflected in the Bank's performance for the period under review.


For the period in question the number of loans approved by the Bank increased by 15.6 percent over the previous year to record 650. However, the value of loans approved decreased by 7.03 percent from last year to \$16.06 mn.

Very importantly however, loan disbursement, which recorded \$16.65 mn almost evenly matched the value of loans approved. That outcome in the 2004/05 period exhibited a similar trend. The Bank has therefore achieved a commendable performance in the approval disbursement ratio for two consecutive years.

A review of the sectoral distribution of these loans indicated that it was dominated by the education sector with \$6.01 mn representing 37.8 percent. This was followed by the housing and tourism sectors with \$3.64 mn (22.6 percent) and \$2.38 mn (14.8 percent) respectively.

Though often overlooked by many, the DAIDB continues to make a sterling contribution to Human Resource Development in Dominica and by extension to the social and economic development thrust. The fact that the Bank controls approximately 90 percent of the market share of student loans in the country is a true manifestation of this assertion.

In comparison, distribution of loans in 2004/05 was influenced by the tourism sector with \$4.61 mn or 26.7 percent.



For the reporting period, the Financial Statements and Accounts were audited for the first time by PricewaterhouseCoopers, and the financial results for the year reflected full compliance with International Financial Reporting Standards. As a result, the financial statements for the prior operating period have been restated.

Despite the daunting challenges with which it was confronted, the Bank was able to make a turnaround moving from a net loss in 2004/05 to a net profit this year. Profit from operations increased by 7.86 percent over the last period to reach \$2.44 mn. However, after accounting for impairment losses on loans and advances and foreign exchange adjustment, the result depicted a net profit of \$0.84 mn. In comparison, the previous year recorded an adjusted net loss of \$1.57mn.


While the net worth of the organization, represented by shareholders equity, increased by 5.14 percent to \$23.39 mn, total assets fell by 0.38 percent to \$125.32 mn. Overall, the financial results for the year signify a positive change and hopefully present a forward-looking trend.

Notwithstanding the results accomplished, the financial health of the Bank is still considered to be somewhat precarious. In order to improve its performance and enhance its competitiveness as a Development Finance Institution, the Bank must embark on, and or strengthen the following *initiatives* among others with utmost urgency.

- (i) Loan portfolio Management, in order to identify High, Medium and Low Risk clients,
- (ii) Good governance practices,
- (iii) A proactive approach in the granting of new loans but without compromising the integrity of its Credit Risk Assessment Process and by extension the quality of loans,
- (iv) A robust and aggressive approach towards the collection and recovery of outstanding obligations and,
- (v) A planned and phased reduction in the high level of non-performing assets.

The collection of outstanding debt to the Bank in particular, is one area which requires exceptional and immediate attention. The DAIDB will spare no efforts in collecting the amounts due, and in particular from those who seem inclined to treat the organization as a creditor of last resort.

In terms of the Bank's future outlook, the mobilization of financial resources on concessionary terms and conditions is a high priority item. For the period under review, up to the first half of this financial year, the Bank has depended almost entirely on internally generated funds to finance



its projects. Faced with this untenable situation the organisation has already moved swiftly to approach non-traditional lenders in its attempt to secure such financing. I hasten to add however, that the intervention and support of government will certainly be required. At the same time, the Bank wishes to commend the overwhelming support provided by the Caribbean Development Bank over the years, and we look forward to its continued financial and technical support.

The formulation of a new five-year strategic plan will not only determine but dictate the way forward for the Bank. The process will seek to ensure the involvement of key stakeholders, but the preparation of the plan will give due consideration to the dynamic, regional and global environment. In addition, a critical review and assessment of the 2002-2006 strategic plan will help chart the formulation of the new plan.

In the current financial year, the Bank was forced to suspend the commencement of the new strategic plan as an interim measure, in order to deal with some critical issues, which required immediate attention. In that regard, an Emergency Short Term Plan with predetermined targets (including cost reduction), and covering the period August 2006-Januray 2007 was implemented instead. I am delighted to report that the results achieved in some related areas, when measured against targets set, are encouraging.

Are-energized effort will certainly have to be directed towards investments in the productive sector, and a recent meeting between the board and the Minister responsible for Agriculture has been a commendable initiative. In addition, the DAIDB welcomes a new line of credit with an initial sum of \$3.0 mn by the Government of Dominica, for on-lending to customers in the lower income bracket, for housing development purposes. This is consistent with the statement articulated by the Honourable Prime Minister in his 2006/07 Budget Address when he stated, "Housing continues to be a major priority for this government". The DAIDB will do everything possible to ensure that these resources are disbursed in the shortest possible time.

The DAIDB continues to find its rightful place in the social and economic development program of the country. However, in order to retain its development mandate the Bank must operate with a high level of efficiency. At the same time it is essential for it to periodically articulate and develop a response mechanism to changes in the financial landscape in its attempt to reinforce its role in the financial sector and satisfy the needs of its clients.

## **DAIDB HIGHLIGHTS AT A GLANCE**

CATEGORY	2006	2005	2004	2003	2002
<b>APPROVALS</b>					
No. of Loans Approved	650	562	654	905	1048
No. of Technical Assistance	12	50	140	29	-
Estimated No. of Jobs	675	924		865	833
1008					
	(\$mn)				
Total Loans Approved	16.1	17.3	21.5	17.7	20.4
Total grants Approved	0.20	0.74	2.59	0.59	-
<b>DISBURSEMENTS</b>					
Total Loans Disbursed	19.80	16.0	17.20	16.70	19.50
Total grant Disbursed	0.52	0.91	1.85	0.20	-
<b>PORTFOLIO</b>					
Gross Loans Outstanding	119.6	118.3	119.0	117.5	110.1
Gross Loans net of impairment losses	106.4	107.1	106.7	106.5	102.3
<b>OPERATING RESULTS</b>					
Operating income	6.42	5.94*	6.46	4.97	5.69
Net Profit (loss) for the year	0.84	(1.57)	1.3	(1.8)	0.90
<b>ADMINISTRATION</b>					
Total Staff as at June 30	38	38	39	40	39
Total Admin. Expenses	0.93	0.83	0.45	0.49	0.68
Admin. Expenses to Average Loans Outstanding	0.87%	0.77%	0.42%	0.43%	0.66%

\* Financial information for 2005 is restated

## PART I

## THE ECONOMY OF DOMINICA



## 1. ECONOMIC PERFORMANCE OF DOMINICA: 2005-06

### *January - December 2005*

Figures from the Central Statistical Office indicate that in 2005 the Dominican economy continued its positive growth path that commenced in 2003, following a contraction of 9.24 percent in real GDP over the period of 2001 to 2002. In 2003 a positive trend commenced with growth of 0.10 percent, increasing to 3.05 percent in 2004 and 3.39 percent in 2005.

The performance of individual sectors was mixed with manufacturing achieving increases in production and export value, while there were declines in agriculture, construction and tourism.

In the agricultural sector, banana production declined from 13,162 metric tonnes in 2004 to 10,864 metric tonnes in 2005. There were also declines in the export values of both bananas and other agricultural exports. The value of banana exports decreased from \$19.58 mn in 2004 to \$17.27 mn in 2005. This drop was attributed to the effects of an extended drought, windstorms and a decline in the number of farmers. The value of other agricultural exports fell from \$16.74 mn to \$15.42 mn, with the most affected non-banana exports being flowers, dasheens and oranges.

The manufacturing sector recorded a 30.61 percent increase in production value of soft drinks and alcoholic beverages from \$7.84 mn in 2004 to \$10.24 mn. This increase was attributed to growth in domestic consumption resulting from the expansion of social activities such as national independence celebrations. The production value of chemicals and related products increased by 6.9 percent from \$45.05 mn to \$48.16 mn, mainly due to increases in the production costs of paints and dental cream.

In 2005, the total value of manufactured exports increased by 2.21 percent. This increase resulted from a 3.47 percent increase in chemicals and related products exports from \$57.64 mn to \$59.64 mn, a 46.99 percent increase in construction materials exports from \$4.11 mn to \$10.73 mn and a 4.45 percent increase in other manufactured products. Construction exports include pebbles, gravels, broken or crushed stones and water-thinned paints. In the same period, beverage exports actually declined by 6.60 percent, reflecting a decline in regional demand.

In comparison with 2004, construction activity suffered declines in both the number and value of construction starts. The number of construction starts was reduced by 26.17 percent and the value of construction starts declined by 21.57 percent from \$37.87 mn in 2004 to \$29.7 mn in 2005.

The tourism sector recorded a slight decline of 0.69 percent in stay-over visitors from 76,338 in 2004 to 75,814 in 2005. Over the



same

period, the number of cruise-ship visitors declined by 21.46 percent from 383,614 to 301,394. Consequently, the estimated total visitor expenditure declined by 7 percent from \$163.7 mn to \$152.24 mn.

Total exports increased marginally by 0.46 percent from \$111.69 mn to \$112.20 mn, while total imports increased by 14.19 percent from \$391.19mn to \$446.71mn. As a result, the visible trade balance deteriorated from a deficit of \$279.50 mn to a deficit of \$334.51mn.

Central Government continued the consolidation of its fiscal position with a 11.03 percent increase in current revenue from \$231.72 mn in 2004 to \$257.28 mn in 2005. In comparison, current expenditure expanded only by 4.55 percent. The combined result recorded a 54.55 percent increase in the current account balance over the period from \$30.03 mn to \$46.41 mn.

#### *January- June 2006*


For the period January - June 2006, there was expansion in the construction and tourism sectors of the economy in relation to the comparative period of 2005. The initial projection for real GDP growth for 2006 was 2.83 percent, but officials expect that actual growth will exceed this projection.

In the agricultural sector banana production increased by 0.02 percent, and banana export revenue from the Dominica Banana Producers Ltd. (DBPL) increased by 7.95 percent from \$8.18 mn in the first half of 2005 to \$8.83 mn in the same period of 2006. However, as a result of a 6.06 percent decline in the other banana export revenue, and a 15.89 percent decrease in other agricultural export revenue, total agricultural exports fell by 3.32 percent over the period.

During the first half of 2006 manufacturing activities declined relative to the same period of the previous year. Production of beverages fell by 12.94 percent as a result of a drop in domestic demand. The production of chemicals and related products also fell by 9.44 percent, mainly due to the low demand from the regional market.

The construction sector exhibited positive growth with the number of construction starts increasing by 24.14 percent from 58 in the first two quarters of 2005 to 72 in the comparative period of 2006. The value of construction starts also grew by 49.62 percent over the same period from \$14.29 mn to \$21.38 mn. Growth in the sector was also substantiated by a 90.61 percent increase in cement sales from 209,546 bags in 2005 to 399,419 bags in 2006.

In the tourism sector stay-over visitors increased by 3.3 percent to 37,816 in the first two quarters of 2006, from 36,609 in the comparative period of 2005. Cruise-ship visitors also grew by 27.7 percent from 166,067 in 2005 to 212,064 in 2006. There was an estimated 14.69 percent increase in total



visitor expenditure from \$76.13 mn to \$87.31 mn.

There was a narrowing of the trade deficit, which moved from EC\$171.43 in the first half of 2005 to EC\$163.05 in the same period of 2006. Imports declined by 5.59 percent from \$226.82 mn to \$214.15 mn. Domestic exports also decreased by 7.72 percent, from \$55.39 mn to \$51.11 mn, mainly as a result of a decline in food exports.

## 2. CONTRIBUTION OF DAIDB TO ECONOMIC DEVELOPMENT OF DOMINICA

The mandate of the Bank is to promote and influence economic development and to mobilize funds for this development. In pursuit of this goal during the financial year under review, the Bank approved \$4.79 mn for lending to new enterprises and for expansion and rehabilitation of existing enterprises in the productive sectors of the economy. Disbursements to these sectors totaled \$5.72 mn, which surpassed approvals by \$0.93 mn or 19 percent.

Increased credit to these sectors creates new job opportunities, which is vital to the economic recovery process. A total of 675 jobs were created as a result of the Bank's lending during the year. Of these, 217 jobs were created in the construction industry by the Bank's social sector lending for new residential housing and home improvement for low and middle income households.

Statistics from the Eastern Caribbean Central Bank (ECCB) for June 2005 highlighted the fact that in comparison to other financial organizations the DAIDB places greater emphasis in financing both start-up and existing enterprises in the productive sectors of the economy. When comparison is made using the sectoral distribution of loans by the DAIDB and all commercial banks combined, it is estimated that the DAIDB has 50.88 percent of all agricultural loans, 24.71 percent of manufacturing, transportation and Services and 51.03 percent of tourism.

The DAIDB's contribution to development can also be measured by its allocation of credit to groups in society that normally have limited access to credit. The distribution of DAIDB approvals indicates that of a total of 650 loans granted 452 or 70 percent were to borrowers in rural areas. One third of these were educational loans indicating that the Bank is providing opportunities for tertiary education to persons from rural areas.

A recent country poverty assessment in Dominica indicated that three quarters of the poor live in rural areas. Since education is one of the primary means of reducing poverty, the Bank's student loan programme is therefore making a significant contribution to poverty alleviation. It is also important to note that the DAIDB serves customers all over the island.

With respect to gender distribution, DAIDB statistics indicate that 298 borrowers or 46 percent of approvals were for women and almost half of these loans were for education.



## ACTIVITY

The Bank's principal operating activity is lending. At June 30, 2006 net loans and advances, which totaled \$106.40 mn, comprised 84.9 percent of its total assets and generated 94.7 percent of its total revenue for that year. As Table 1 indicates total loan approvals for the year amounted to \$16.06 mn, which was 7.03 percent below the prior year's figure of \$17.29 mn. While there was a decrease in the value of loans in 2006, the number of loans approved increased by 15.6 percent, from 562 to 650.

In the year under review the greatest share of loan approvals was for education, which totaled \$6.07 mn or 37.8 percent of total approvals. The second largest share was for housing, a total of \$3.64 mn or 22.6 percent of total approvals. This sectoral allocation of loan approvals differed from the previous year, when the tourism sector benefited most. In 2005, as much as \$4.61 mn or 27.7 percent of total approvals was invested in that sector. This was followed by education which had total approvals of \$3.92 mn or 23.5 percent.


A high level of performance was achieved in the disbursement function. Total disbursement in 2006, presented in Table 2, was \$16.65mn, which was 103.6 percent of the loans approved in the year. The Bank was able to achieve disbursements which exceeded approvals for the year as a result of a spill-over in disbursements of loans approved in the previous year. The Bank also performed admirably in disbursing loans to the following sectors: tourism (140 percent), housing (105 percent), and manufacturing, services & transportation (111 percent). Disbursements to agriculture and education attained a 90 percent success rate.

## AGRICULTURE AND FISHING

The Bank continues to be the primary lender to the agriculture sector and by so doing contributes significantly to rural and national development. At June 30, 2006, total investment in this sector was \$9.3 mn, which was 8.6 percent of the Bank's total loans outstanding at that date. Loan approvals to the agriculture sector registered an increase in value, though the number of loans approved declined slightly. The value of approvals to agriculture increased marginally by \$0.02 mn or 1.8 percent, from \$1.38 mn to \$1.4 mn. For the same period, the number of approvals fell by 4.7 percent to 126 loans.

Table 3 indicates that, as expected, the geographic distribution of agricultural projects financed had a heavy rural focus. As many as 110 of the 123 loans approved for agriculture in 2006 were for rural-based projects while only 13 were urban-based. Agriculture continued to be dominated by men. As many as 103 loans were approved for men while only 13 were





approved for women.

A sub-sectoral breakdown of agriculture and fishing loans in Table 4 indicates that as much as \$0.47 mn of approvals in 2006 or 33 percent of lending was directed towards the purchase or repair of farm vehicles, \$0.29 mn or 21 percent to fishing, \$0.28 mn or 20 percent to crop production, and \$0.16 mn or 12 percent to land purchase. Fishing loan approvals increased from \$0.18 mn to \$0.29 mn.

There was a decrease in both the value and percentage of approvals in crop production, livestock, green houses, marketing, and land purchase. The sub-sectors which registered increases were fishing (from 13 percent to 21 percent), farm vehicles (from 12 percent to 34 percent), and farm building & equipment (from 0 percent to 2 percent). Banana production was the dominant farm activity financed in 2006. Loans approved for this sub-sector totaled \$0.19 mn, a 24 percent drop from the prior year's approval of \$0.25 mn.

### **MANUFACTURING, SERVICES, AND TRANSPORTATION**


Given the challenges associated with a small domestic market, lending to the manufacturing, services and transportation sectors continued to be problematic. Some of these challenges included the relatively high cost of inputs, whether locally sourced or imported, the country's prohibitive cost of electrical power, and the intense competition as a result of trade liberalization. Loan approvals of \$1.01 mn to these sectors made up the smallest share of approvals in 2006, that is 6.3 percent, down by 67.3 percent from last year's total of \$3.09 mn.

While the value of loans dropped, the number of loans increased marginally, from 38 to 40. Average loan size for 2006 was \$25,219, falling from \$81,230 the previous year.

As shown in Table 5, the services sector was the largest recipient of these loans, accounting for \$0.72 mn or 72 percent, followed by transportation with a figure of \$0.20 mn or 20 percent. Approvals to manufacturing totaled \$0.08 mn or 8 percent.

There was a more equitable gender distribution of loans to this sector compared to agriculture. As much as 57.5 percent of these loans were taken by men and 42.5 percent by women. The geographical distribution of these loans was encouraging, considering the need to decentralize economic activity in Dominica. A total of 70 percent or 28 of the total loans approved for manufacturing, services, and transportation were for urban-based projects while 30 percent or 12 were for rural projects.

### **TOURISM**



Tourism development continued to be a key area for investment of the Bank's funds. However, given less-than-favourable performance in this sector, resulting chiefly from low hotel occupancy and other challenges confronting this fairly infant industry, the Bank was rather cautious in its lending to tourism. A total of \$2.38 mn was approved for loans to this sector in 2006. This figure represented 14.8 percent of the Bank's total approvals for that year.

As exhibited in Table 6, from the \$2.38 mn approved for tourism projects, \$0.33 mn or 14 percent went to tour buses, \$0.86 mn or 36 percent went to accommodation, while \$1.2 mn or 50 percent was directed at other services. This distribution in 2006 represented a more balanced allocation of funds among the various tourism sub-sectors compared to the previous two years. At that time 89 percent and 92 percent went to accommodation, 6 percent and 8 percent went to tour buses, with only 5 percent and 0 percent going to other tourism services in 2004 and 2005 respectively.


While there was a 48.3 percent drop in the value of approvals for the tourism sector in 2006, approvals in that year were 51 percent higher than in 2004, 577 percent higher than in 2003, and 124 percent above the 2002 figure.

## HOUSING

Economic activity in the construction sector gives a boost to the economy because of the size of investments in that sector, the employment they create, and the activity they generate in ancillary services. Cognizant of these benefits and its mandate to promote economic development, the Bank continued to give attention to facilitating development in this sector. Housing was the second key area of lending for the Bank in 2006.

Loans totaling \$3.64 mn were approved for this sector, which comprised 22.6 percent of total approvals. The Bank remained uncompetitive in the mortgage market, given the cheaper sources of funding available to other financial organizations and their excess liquidity. Notwithstanding the above, following a 7 percent increase in approvals to the housing sector in 2003, a 9.3 percent increase in 2004 and a 45.5 percent decline in 2005, approvals increased by 23.1 percent in 2006. Its relative share of approvals which recorded 22.6 percent, increased by 32.1 percent in 2006 compared to 17.1 percent in 2005. This was close to 3 percentage points lower than the average for the period of 2002 to 2004.

Table 7 indicates that a total of 99 loans were approved for housing in 2006 compared to 85 in the prior year and the average loan size increased by 5.7 percent, from \$0.034 mn in 2005 to \$0.037 mn. Thirty-two percent (32 percent) or \$1.16 mn of approvals for housing was invested in new



constructions, 29 percent or \$1.04 mn in home improvement, 11 percent or \$0.42 mn in home purchase and 28 percent of \$1.02 mn were provided for the special mortgage programme.

The gender distribution of approvals in 2006 was fairly evenly balanced. A total of 48 percent of approvals was for women with 50 percent for men and the remaining 1 percent was a line of credit for a financial institution. 65 percent of approvals were for rural projects while 35 percent were directed at projects in Roseau and environs.


Apart from its regular housing loans, the Bank is agent for a Government of Dominica Special Mortgage Program (SMP) funded by the CDB. From this facility, a total of 19 loans amounting to \$1.02 mn were approved in 2006. The number of loans was 2 fewer than were approved last year and the value was \$0.40 mn or 65.5 percent higher than SMP approvals in 2005.

To date the Bank has approved 67 loans amounting to \$5.4 mn under the SMP. Of these 63 loans amounting to \$2.26 mn were for individual customers and 4 loans amounting to \$3.16 mn were approved to four Credit Unions for onlending to their members. Only three credit unions have started to draw down their funds and they have approved loans to 18 members so far. Therefore, a total of 85 individuals have benefited from this programme to date.

## EDUCATION

Cognizant of the crucial link between education and development, the Bank played a key role in facilitating the education of two hundred and seventeen (217) persons in 2006. By far the sub-sector which benefited most from loan approvals in the year under review was education. A total of \$6.01 mn was approved for this sector, which represented 37.8 percent of total approvals in that year and was 55 percent above last year's figure. This was a creditable performance, given the 46.2 percent decrease in approvals last year and the consistent declining trend in the Bank's performance in this sector since 2003. In comparison, approvals in 2003, 2004, and 2005 declined by 8 percent, 0.33 percent, and 46 percent respectively. Furthermore, the share of approvals to the education sector in 2006 was 18.8 percent above the 2002-2005 average.

As shown in Table 8, in terms of the number of loans approved, as many as 47.6 percent more loans were approved for the education of students than in the previous year. The average loan size increased from \$0.027 mn in 2005 to \$0.028 mn in 2006. The key areas of study for which loans were approved in 2006 were business & management (\$0.95 mn or 16 percent), accounting (\$0.60 mn or 10 percent), law and criminal justice (\$0.52 mn or 9 percent), nursing (\$0.48 mn or 8 percent), and medical & para-medical



(\$0.45 mn or 7 percent).

### **PERSONAL AND OTHER**

True to its mandate, the Bank's focus in lending is on productive rather than consumer activities. However, the availability of consumer lending does facilitate the Bank's clients, since many of these applicants are existing customers with productive sector loans. In 2006, a total of 156 loans amounting to \$1.56 mn were approved for this sector. This latter figure was 16.9 percent higher than the value of approvals last year.

Table 9 indicates that the major areas to which those approvals were directed were vehicle purchase (22 percent), residential land purchase (15 percent), personal expenses (15 percent), and miscellaneous expenses (15 percent).

### **TECHNICAL ASSISTANCE**

Since the Enterprise Development Funds of the European Union (EU) were already fully committed in the previous year, there were no new approvals during the year. However, the Bank drew down \$0.70 mn from the EU, representing the balance of funds approved for this program prior to 2006. Of this amount, \$0.52 mn was disbursed to customers to improve various aspects of their businesses such as accounting, marketing, business plan writing, and business evaluation.

A major benefit of the EU loan-grant facility was the increased productive sector lending it spawned and the improvement in the operations of those projects funded by the Bank

### **SPECIAL BANK PROJECTS**

One of the special projects undertaken by the Bank in 2006 was the Adopt-A-Road Project. This was implemented along the Goodwill Road Highway from the Pottersville Savanna in the south to the Woodbridge Bay in the north. It involved the landscaping of both sides of that road, the planting of grass, shade trees, and flower plants, and the maintenance of those plants.

In December 2005, the Bank also provided funding for an irrigation project at the Castle Bruce Secondary School. This project provided five different types of irrigation systems on a 1 acre agricultural plot on the school compound. It served as a demonstration plot for students and a marketing tool for farmers in the Castle Bruce area.

## **PART III ORGANIZATION AND MANAGEMENT**



## BOARD OF DIRECTORS AND COMMITTEES

The Bank is under the direction and control of a Board of Directors comprising nine members selected by its shareholders. The Board approves loans above \$250,000.

The Board of Directors have delegated to the Loans Committee the power to approve on its behalf loans above \$100,000 to a maximum of \$250,000.

A Finance and Audit Committee was established in April 2006.

The primary responsibilities of the Committee are: oversight of reliable, accurate and clear financial reporting to the shareholders, ensuring adequate internal controls, selection and oversight of the external auditor, compliance with the applicable laws and regulations as well as the Bank's own policies and evaluating the management of key risks of the organisation.

The Student Loans Advisory Committee is responsible for ensuring the establishment and publication of the Priority List of Courses annually, monitoring the non-credit performance of the Student Loans Programme and recommending student loans for approval by the Bank.

The Board of Directors have established two other Committees. One is the Negotiating Committee constituted in order to make recommendations to the Board regarding the collective bargaining agreement with staff. The second is the Appeals and Anomalies Committee, which considers staff matters.

## HUMAN RESOURCE TRAINING AND DEVELOPMENT

The training programme of the Bank is designed to equip staff members to improve performance and efficiency. Activities during the year are summarized in the Table which follows:

Type of Study	Staff Members
<b>DEGREE PROGRAMMES COMPLETED:</b>	
<i>Bachelor's Degree in Management</i>	Patricia Shillingford-Chambers Patricia Etienne
<i>Bachelor's Degree in Management</i>	Josephine Dechausay
<i>Associate Degree - Communication/Journalism</i>	
<b>ONGOING DEGREE PROGRAMMES:</b>	
<i>Associate Degree in Business Administration</i>	3 persons
<i>Associate Degree - Marketing</i>	1 person
<i>Para Legal</i>	1 person
Bachelor's Degree in Business Administration	5 persons
Masters Degree in Business Administration	3 persons

Masters Degree in Information Technology Management	1 person
Masters Degree in Training and Human Resource Management	1 person

**CERTIFICATE PROGRAMME:**

E-Project Management	3 persons
----------------------	-----------

**SEMINARS :**

Money Laundering	All Staff
Money Laundering	Accounts Staff
Managing Your Money	All Staff
Motivation	All Staff
Customer Service	All Staff
International Financial Reporting Standards	1 person
Risk Management	2 persons
Credit Management	2 persons
IAS Workshop	1 person

All degree level programmes and the certificate programme listed in the Table above were initiated by staff members, who subsequently obtained financial support from the Bank. Mrs. Patricia Shillingford-Chambers and Patricia Etienne completed Bachelor of Science degrees in Management. Four staff members are enrolled in pursuit of their Master's Degree and six staff members are currently pursuing their Bachelor's degree both locally and through distance learning.


Seminars attended were selected on the basis of key subject areas identified by management as priorities for staff training. These were facilitated in-house, or were attended by staff members locally or regionally. During the year the Bank conducted training in Money Laundering with special emphasis being placed on the staff members of the Accounts and Finance Division who are directly involved in collection of monies. Other subject areas of training included risk management, motivation, customer service, project management, credit management, international accounting standards and international financial reporting standards.

The Bank recognizes exemplary staff performance and the importance of upward mobility to the success of the organization. In that regard, there were three promotions in the Projects Section during the year.

On a more social note, staff enjoyed increased social activities with trips to the Rain Forest Aerial Tram, Wacky Rollers and other areas of interest and fun. The Bank's aerobic evening classes continued as the enrolment fluctuates depending on the season. All in all staff strive to keep fit spiritually, mentally, emotionally and physically.

**PROMOTION AND OUTREACH ACTIVITIES**

In order to generate interest in its products and services and to explore



opportunities for new and additional business, the Bank organized and participated in various outreach programs to meet farmers, students, and other groups of people in various communities on the island. Key among these outreach programs was the International College Fair held in November 2005 in collaboration with the Library and Information Service Division of the Ministry of Education. The Bank operated a booth at that Fair and was able to reach prospective student loan customers one-on-one to promote its services. The Fair also provided two opportunities for the Bank to make presentations on its services to groups of students.

In a similar outreach, officers of the Bank made presentations and provided information one-on-one to students at a forum organized by the University of the West Indies Dominica Centre later that month.

Another important outreach the Bank executed was a forum for stakeholders of Ross University School of Medicine. Because of significant investments the DAIDB has in properties rented out to Ross University students, the Bank, in collaboration with the Portsmouth Town Council, organized a forum with all stakeholders, particularly landlords, to discuss issues and opportunities associated with the University. This forum provided valuable information to guide further investments in this expanding sub-sector.

To discuss challenges and explore opportunities for further investments in agriculture and agro-processing, the Bank met banana farmers with regard to funding irrigation projects and participated in meetings organized by the Agro Processors Association of Dominica (APAD). It also participated in a consultation and meeting organized by CARDI for hot pepper producers, processors, and exporters.

There were various other initiatives that the Bank undertook to pursue opportunities for investments during the year. Among these were contacts with the Dominica Hotel and Tourism Association, Coal Pot, Dominica Port Authority, National Development Corporation, and the Fresh Water Lake boating project.

#### **PART IV**

#### **FINANCIAL PERFORMANCE**



## FINANCIAL RESULTS FOR 2005/2006

The reported financial results of the Bank's operations for this fiscal year reflected full compliance with International Financial Reporting Standards (IFRS). Consequently, the financial statements for the last operating period, 2004/05 were restated in order to conform to the current year's presentation.

### NET INCOME FROM OPERATIONS

The financial activities for the year produced net operating profit of \$2.44 mn which was 7.86 percent higher than last year's \$2.26 mn. After providing for impairment losses on loans and advances of \$1.99 mn and a foreign exchange gain of \$0.40 mn, net profit was adjusted to \$0.84 mn. In the prior year, after providing for impairment losses on loans and advances of \$0.98 mn and a foreign exchange loss of \$2.85 mn, there was a net loss of \$1.57 mn.

### INCOME

Income earned for the year totaled \$11.05 mn and was 5.76 percent more than the comparative period for last year, which generated \$10.45 mn. Interest and similar income of \$10.48 mn comprised 94.77 percent of income and that amount was 6.11 percent higher than last year's \$9.87 mn.

Other operating income of \$0.58 mn increased by 0.37 percent from last year, and was derived mainly from agency fees, appraisal fees and legal fees.

### EXPENSES


Expenses relating to daily operations, other than foreign exchange losses or gains, amounted to \$8.62 mn and represented a 5.23 percent increase from last year's \$8.19 mn. Interest expense and similar charges of \$4.63 mn represented 53.73 percent of expenses and increased by 2.77 percent from last financial year's \$4.51 mn.

Other operating expenses of \$3.99 mn included staff and administrative costs and registered a 8.23 percent increase from last year's \$3.68 mn.

### ASSETS

Total assets as at June 30, 2006 had a net book value of \$125.32 mn registering a 0.38 percent decrease from last year's \$125.8 mn. The major category of assets consisted of loans outstanding from customers, which represented 84.91 percent of total assets which had a net balance of





\$106.40 mn. Net loans outstanding were 0.63 percent less than last year's \$107.08 mn.

Movements in net total investments were as follows:

- available-for-sale securities - \$1.27 mn; 5.06 percent less than last year's \$1.33 mn
- held-to-maturity securities - \$5.92 mn; 12.43 percent less than last year's \$6.76 mn

Net fixed assets amounted to \$5.21 mn, 2.45 percent more than last year's \$5.09 mn.

## LIABILITIES

Total liabilities of \$101.93 mn registered a 1.57 percent decrease from last year's \$103.56 mn. Long-term loans with a balance of \$87.88 mn which represented 86.22 percent of total liabilities, recorded a decrease of 2.93 percent from last year's \$90.54 mn.

An amount of \$11.06 mn due to customers was 15.45 percent higher than last year's \$9.5 mn. Fixed Deposits of \$8.67 mn held for clients constituted 78.32 percent of this category in contrast to 75.75 percent last year.

## SHAREHOLDERS' EQUITY

The net worth or shareholders equity was equivalent to \$23.39 mn, a 5.14 percent increase from last year's \$22.24 mn. Retained earnings under this category of \$0.90 mn recorded a significant increase from last year's negative \$0.01 mn. As was indicated, the financial statements for the previous year were restated and as a result, retained earnings were adjusted accordingly.

November 21, 2006

PricewaterhouseCoopers  
Pointe Seraphine  
P.O. Box 195  
Castles  
St. Lucia, WI  
Telephone: (758) 456-2600  
(758) 452-2311  
Facsimile: (758) 452-1061

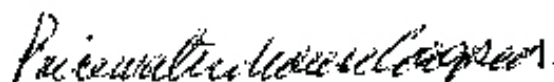
### Auditors' Report

To the Directors of  
**Dominica Agricultural Industrial and Development Bank**

We have audited the accompanying balance sheet of **Dominica Agricultural Industrial and Development Bank** (the Bank) as of June 30, 2006 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of June 30, 2006 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



### Chartered Accountants

Antigua	Charles W. A. Walters, Robert J. Wilks, CMA
Bahamas	† Andrew W. Reynolds, Philip S. E. Anderson, R. Michael Bryce, Ashley C. Carby, Cynthia R. Filkins, Mervyn J. Hobb
	Maurice A. Parkin, Mervyn S. Hains, Stephen W. Ja. Joo, Lindell L. Nunez, Brian D. Robinson
	Christopher S. Sorjama, R. Charles D. Tibbitts, Ann M. Wallace, Decca, Michelle, White-Ying
Grenada	Philip S. L. Allinson, Debbie L. Buchanan
St. Kitts & Nevis	Jefferson L. Lurie
St. Lucia	Anthony D. Johnson, Richard N. C. Odenkin

## Dominica Agricultural Industrial and Development Bank

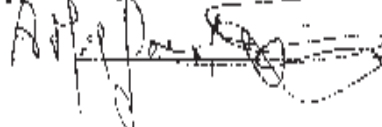
Balance Sheet

As of June 30, 2006

(expressed in Eastern Caribbean dollars)

	2006 \$	(restated) 2005 \$
<b>Assets</b>		
Cash and balances with other banks (Note 5)	2,963,879	2,147,297
Treasury bills and debenture bonds (Note 6)	2,659,299	2,629,003
Loans and advances to customers (Note 7)	106,402,774	107,078,162
Investment securities:		
- available-for-sale (Note 9)	1,267,340	1,334,855
- held-to-maturity (Note 9)	5,921,565	6,761,812
Property, plant and equipment (Note 10)	5,214,232	5,089,702
Other assets (Note 11)	889,263	759,321
<b>Total assets</b>	<b>125,318,352</b>	<b>125,800,152</b>
<b>Liabilities</b>		
Due to customers (Note 12)	11,064,397	9,583,314
Borrowed funds (Note 13)	87,883,332	90,536,454
Other liabilities (Note 14)	2,984,685	3,437,583
<b>Total liabilities</b>	<b>101,932,414</b>	<b>103,557,351</b>
<b>Shareholders' equity</b>		
Share capital (Note 15)	17,547,631	17,547,631
Reserves (Note 16)	4,940,966	4,706,108
Retained earnings	897,343	(10,938)
<b>Total shareholders' equity</b>	<b>23,385,938</b>	<b>22,242,801</b>
<b>Total shareholders' equity and liabilities</b>	<b>125,318,352</b>	<b>125,800,152</b>

Approved by the Board of Directors on October 25, 2006

 Director

 Director



## Dominica Agricultural Industrial and Development Bank

### Statement of Income

For the year ended June 30, 2006

(expressed in Eastern Caribbean dollars)

	2006 \$	(restated) 2005 \$
Interest and similar income (Note 17)	10,475,903	9,872,377
Interest expense and similar charges (Note 17)	<u>(4,630,594)</u>	<u>(4,505,762)</u>
Net interest income	5,845,209	5,366,615
Other operating income (Note 18)	<u>578,333</u>	<u>576,215</u>
Operating income	6,423,542	5,942,830
Other operating expenses (Note 19)	(3,588,427)	(6,513,580)
Impairment losses on loans and advances (Note 8)	(1,991,060)	<u>(987,877)</u>
Net profit (loss) for the year	<u>844,055</u>	<u>(1,573,627)</u>

## Dominica Agricultural Industrial and Development Bank

Statement of Cash Flows  
For the year ended June 30, 2006

(expressed in Eastern Caribbean dollars)

	2006 \$	(restated) 2005 \$
<b>Cash flows from operating activities</b>		
Net profit (loss) for the year	844,055	(1,573,627)
Adjustments for:		
Depreciation (Notes 10 & 19)	258,367	212,370
Gain on disposal of property, plant and equipment (Note 18)	(2,000)	
Impairment losses on loans and advances (Note 8)	1,991,060	982,877
Unrealized foreign exchange loss (gain)	(399,066)	2,849,261
Interest and similar income (Note 17)	(10,475,803)	(9,872,177)
Interest expense and similar charges (Note 17)	4,630,594	4,505,762
Cash flow before changes in operating assets and liabilities	(3,152,793)	(2,895,734)
Increase in other eligible bills		(2,088)
Increase in loans and advances to customers	(1,462,827)	(300,791)
(Increase)/decrease in other assets	(129,942)	284,501
Increase in due to customers	1,276,564	1,088,500
Increase/(decrease) in other liabilities	174,484	(225,616)
Cash used in operations	(3,294,514)	(2,051,228)
Interest received	10,622,958	10,283,539
Interest paid	(4,461,729)	(4,732,285)
Net cash generated from operating activities	2,866,715	3,500,026
<b>Cash flows from investing activities</b>		
Decrease/(increase) in investment securities - net	840,247	(2,291,354)
Proceeds from disposal of property, plant and equipment	2,000	
Purchase of property, plant and equipment (Note 10)	(382,897)	(94,851)
Net cash generated from/(used in) investing activities	459,350	(2,386,205)
<b>Cash flows from financing activities</b>		
Repayment of borrowings - net	(2,218,402)	(1,512,434)
Foreign exchange utilization	(10,785)	(379,450)
Dividends paid (Note 22)	(250,000)	(1,002,582)
Net cash used in financing activities	(2,479,187)	(2,851,266)
<b>Net increase/(decrease) in cash and cash equivalents</b>	846,878	(1,740,445)
<b>Cash and cash equivalents, beginning of year</b>	4,573,020	6,313,465
<b>Cash and cash equivalents, end of year (Note 23)</b>	5,419,898	4,573,020

## Dominica Agricultural Industrial and Development Bank

Statement of Changes in Shareholders' Equity  
For the year ended June 30, 2006

(expressed in Eastern Caribbean dollars)

	2006 \$	(restated) 2005 \$
<b>Share capital</b>		
At beginning and end of year (Note 15)	<u>17,547,631</u>	<u>17,547,631</u>
<b>Retained earnings</b>		
At beginning of year as previously reported	(10,938)	4,029,083
Prior period adjustment (Note 27)	—	(1,367,127)
At beginning of year as restated	<u>(10,938)</u>	<u>2,661,956</u>
Net profit (loss) for the year as previously reported	844,055	(2,319,203)
Prior period adjustment (Note 27)	—	745,576
Net profit (loss) for the year as restated	<u>844,055</u>	<u>(1,573,627)</u>
Dividends on ordinary shares (Note 22)	<u>(250,000)</u>	<u>(1,002,382)</u>
Reversal of dividends (Note 22)	627,382	—
Transfer to reserves (Note 16)	<u>(313,158)</u>	<u>(96,884)</u>
At end of year	<u>897,341</u>	<u>(10,938)</u>
<b>Reserves</b>		
At beginning of year - as previously reported	4,706,108	5,361,149
Prior period adjustment (Note 27)	—	(112,475)
At beginning of year - as restated	<u>4,706,108</u>	<u>5,248,674</u>
Transfer from retained earnings	313,158	96,884
Foreign exchange utilization	(10,785)	(339,450)
Fair value adjustments	<u>(67,515)</u>	<u>—</u>
At end of year	<u>4,940,966</u>	<u>4,706,108</u>
<b>Shareholders' equity, end of year</b>	<u>23,385,938</u>	<u>22,242,801</u>

# Dominica Agricultural Industrial and Development Bank

## Notes to Financial Statements

June 30, 2006

(expressed in Eastern Caribbean dollars)

### 1 General information

Dominica Agricultural Industrial and Development Bank (the Bank) is a corporate body established under Chapter 74:03 of the laws of the Commonwealth of Dominica (Revised), with its principal objectives being to promote and influence the economic development of the Commonwealth of Dominica and to mobilize funds for the purpose of such development.

The Bank's principal place of business and registered office is located at corner Charles and Rawles Lane avenues, Goodwill, Commonwealth of Dominica.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of preparation

Dominica Agricultural, Industrial and Development Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash and non-restricted balances with other banks and short-term government securities.

#### Financial assets

The Bank classifies its financial assets in the following categories: loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

##### (a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable.

##### (b) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were the Bank to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

# Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2006

(expressed in Eastern Caribbean dollars)

## 2 Summary of significant accounting policies...continued

### Financial assets...continued

#### (c) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Purchases and sales of held-to-maturity and available-for-sale are recognised on trade-date - the date on which the Bank commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs (for all financial assets not carried at fair value through profit or loss). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the statement of income. Dividends on available-for-sale equity instruments are recognised in the statement of income when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, and other valuation techniques commonly used by market participants.

### Property, plant and equipment

All property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Land is not depreciated. Depreciation is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	2%
Furniture and equipment	20 - 33 1/3%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.



## Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2006

(expressed in Eastern Caribbean dollars)

### 2 Summary of significant accounting policies...continued

#### Property, plant and equipment...continued

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of income.

#### Impairment of financial assets

##### Assets carried at amortised cost

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence that impairment as a result of one or more events has occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

- i. significant financial difficulty of the issuer or obligor;
- ii. a breach of contract, such as a default or delinquency in interest or principal payments;
- iii. the company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- iv. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- v. the disappearance of an active market for that financial asset because of financial difficulties; or
- vi. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans or receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

# Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2006

(expressed in Eastern Caribbean dollars)

## 2 Summary of significant accounting policies (continued)

### Impairment of financial assets (continued)

#### Assets carried at amortised cost (continued)

The calculation of the present value of the estimated future cash flows of a non-amortised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit characteristics (i.e., on the basis of the Bank's pricing process that considers asset type, industry, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the asset being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of income.

#### Assets carried at fair value

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in equity – is removed from equity and recognised in the statement of income. Impairment losses recognised in the statement of income on equity instruments are not reversed through the statement of income, if any. If in subsequent period, the fair value of debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of income, if any.

#### Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).



## Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2006

(expressed in Eastern Caribbean dollars)

### 2 Summary of significant accounting policies *(continued)*

#### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### **Borrowings**

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of income over the period of the borrowings using the effective interest method.

#### **Grants**

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Bank will comply with all attached conditions. Grants relating to costs are deferred and recognised in the statement of income over the period necessary to match them with the costs that they are intended to compensate.

#### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, from the proceeds.

Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent event note.

#### **Interest income and expense**

Interest income and expense are recognised in the statement of income for all instruments measured at amortised cost using the accrual method, except for held-to-maturity investments which used the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or discounts received between parties to the contract that are an integral part of the effective interest rate.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is not recognised until received.

#### **Fee and commission income**

Fees and commissions are generally recognised when they are received and when the service has been provided



## Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2006

---

(expressed in Eastern Caribbean dollars)

### 2 Summary of significant accounting policies...continued

#### Foreign currency translation

##### Functional and presentation currency

Items in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Eastern Caribbean dollars, which is the Bank's functional and presentation currency.

##### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

##### Financial instruments

Financial instruments carried on the balance sheet include cash resources, investment securities, loans and advances to customers, deposits with other banks, deposits from banks and due to customers. The particular recognition methods adopted are disclosed in the individual policy statement associated with each item.

##### Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

### 3 Financial risk management

#### Strategy in using financial instruments

By its nature, the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers at fixed rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet claims as they may fall due.

The Bank also seeks to raise its interest margins by obtaining above average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve not just on balance sheet loans and advances; the Bank also enters into guarantees and other commitments such as letters of credit.

#### Credit risk

The Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

## Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2006

(expressed in Eastern Caribbean dollars)

### 3 Financial risk management...continued

#### Credit risk...continued

The Bank structures the levels of credit risk, it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers. Such risks are monitored on a revolving basis and subject to quarterly reviews.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

#### Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipment of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

#### Geographical concentrations of assets and liabilities

The Bank operates primarily in the Commonwealth of Dominica and the exposure to credit risk is concentrated in this area.

Economic sector risk concentrations within the customer loan portfolio were as follows:

		2006		2005
	%	\$ (000's)	%	\$ (000's)
Agricultural	7.79	9,314	8.26	9,771
Industrial	15.94	19,054	16.41	19,418
Tourism	17.62	21,967	15.87	18,778
Distribution and commerce	0.65	778	0.91	1,071
Education	30.00	35,881	28.57	33,309
Mortgage	23.14	27,662	21.77	29,312
Other consumers	4.86	5,807	5.21	6,159
<b>Total before deduction for allowance for losses on loans and advances and unearned interest on discount loans</b>		<b>119,563</b>		<b>118,321</b>

# Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2006

(expressed in Eastern Caribbean dollars)

## 3 Financial risk management...continued

### Market risk

The Bank is exposed to equity securities price risk because of investments held by the Bank classified on the balance sheet as available for-sale.

### Currency risk

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total which are monitored daily. The Bank's exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The exchange rate of the Eastern Caribbean dollar (EC\$) to the United States dollar (US\$) has been formally pegged at EC\$2.70 = US\$1.00 since 1974. The following table summarises the Bank's exposure to foreign currency exchange rate risk at June 30, 2006. Included in the table are the Bank's assets and liabilities at carrying amount, categorised by currency.

### Concentration of assets, liabilities and off balance sheet items

	EC\$	EURO	US\$	Total
<b>As at June 30, 2006</b>				
<b>Assets</b>				
Cash and balances with other banks	2,963,879	-	-	2,963,879
Treasury bills and other debtenture holds	2,659,299			2,659,299
Loans and advances to customers	106,402,774			106,402,774
Investment securities:				
- available-for-sale	1,267,340	-	-	1,267,340
- held-to-maturity	5,921,565			5,921,565
Property, plant and equipment	5,214,232			5,214,232
Other assets	889,263	-	-	889,263
<b>Total assets</b>	<b>125,318,352</b>	<b>-</b>	<b>-</b>	<b>125,318,352</b>
<b>Liabilities</b>				
Due to customers	11,064,397			11,064,397
Borrowed funds	16,838,399	9,372,990	61,671,943	87,883,332
Other liabilities	2,984,685	-	-	2,984,685
<b>Total liabilities</b>	<b>30,887,481</b>	<b>9,372,990</b>	<b>61,671,943</b>	<b>101,932,414</b>
<b>Net currency exposure</b>	<b>94,430,871</b>	<b>(9,372,990)</b>	<b>(61,671,943)</b>	<b>23,355,938</b>
<b>As at June 30, 2005</b>				
Total assets	125,800,152			125,800,152
Total liabilities	43,171,744	11,031,828	49,353,779	103,557,351
<b>Net currency exposure</b>	<b>82,628,408</b>	<b>(11,031,828)</b>	<b>(49,353,779)</b>	<b>22,242,801</b>

## Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2006

(expressed in Eastern Caribbean dollars)

### 3 Financial risk management...continued

#### Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flow. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

#### Liquidity risk

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, long draw downs and guarantees. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be placed to cover withdrawals at unexpected levels of demand.

The table below analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

	1 Year \$	1-5 Years \$	Over 5 years \$	Total \$
<b>As at June 30, 2006</b>				
<b>Assets</b>				
Cash and balances with other banks	2,963,879	-	-	2,963,879
Treasury bills and other debture bonds	2,659,399			2,659,399
Loans and advances to customers	8,847,656	47,418,060	50,137,058	106,402,774
Investment securities:				
available-for-sale	-		1,267,340	1,267,340
held-to-maturity	5,921,565			5,921,565
Property, plant and equipment	180,990	723,965	4,309,277	5,214,232
Other assets	889,263	-	-	889,263
<b>Total assets</b>	<b>21,462,682</b>	<b>48,142,025</b>	<b>55,713,675</b>	<b>125,318,382</b>
<b>Liabilities</b>				
Due to customers	3,658,016	7,406,381		11,064,397
Borrowed funds	9,673,188	32,746,869	45,463,275	87,883,532
Other liabilities	2,981,685	-	-	2,981,685
<b>Total liabilities</b>	<b>16,312,889</b>	<b>40,153,250</b>	<b>45,463,275</b>	<b>101,929,414</b>
<b>Net liquidity gap</b>	<b>5,149,793</b>	<b>7,988,775</b>	<b>10,250,400</b>	<b>23,388,968</b>
<b>As at June 30, 2005</b>				
Total assets	21,209,122	11,873,275	59,117,755	125,800,152
Total liabilities	13,172,132	40,746,876	49,638,343	103,557,351
<b>Net liquidity gap</b>	<b>8,036,990</b>	<b>4,126,399</b>	<b>10,079,412</b>	<b>22,242,801</b>



## Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2006

---

(expressed in Eastern Caribbean dollars)

### 3 Financial risk management ...continued

#### Liquidity risk...continued

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

#### Fair values of financial assets and liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. The following methods and assumptions were used to estimate the fair value of financial instruments.

The fair values of cash resources, other assets and liabilities, cheques and other items in transit and due to other banks are assumed to approximate their carrying values due to their short term nature.

The fair values of securities are assumed to be equal to the estimated market value. The fair values of unquoted securities are estimated at book value which is not significantly different from their carrying values.

The estimated fair values of loans reflect changes in interest rates that have occurred since the loans were originated and are determined by discounting contractual future cash flows, over the remaining term to maturity, at current interest rates. The estimated fair values of loans are not significantly different from their carrying values.

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. Deposits payable on a fixed date are at rates, which reflect market conditions and are assumed to have fair values which approximate carrying values.



# Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2006

(expressed in Eastern Caribbean dollars)

## 4 Critical accounting estimates, and judgements in applying accounting policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### *a) Impairment losses on loans and advances*

The Bank reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of income, the Bank makes judgement as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

### *b) Impairment of available-for-sale equity investments*

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, when there is evidence of deterioration in the financial health of the investee industry and sector performance, changes in technology and operational and financing cash flows. There were no declines in fair value below cost considered significant or prolonged as at June 30, 2006.

### *c) Held-to-maturity investments*

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

## Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2006

(expressed in Eastern Caribbean dollars)

### 5 Cash and balances with other banks

	2006 \$	2005 \$
Cash in hand	1,100	1,100
Balances with other banks	3,962,779	2,146,197
Included in cash and cash equivalents (Note 23)	<u>2,963,879</u>	<u>2,147,297</u>

### 6 Treasury bills and debenture bonds

	2006 \$	2005 \$
Treasury bills (Note 23)	2,456,019	2,425,723
Debenture bonds	<u>203,280</u>	<u>203,280</u>
	<u>2,659,299</u>	<u>2,629,003</u>

Treasury bills and debenture bonds are debt securities issued by the Government of Dominica. The weighted average effective interest rate in 2006 was 5.93% (2005 - 5.93%).

### 7 Loans and advances to customers

	2006 \$	2005 \$
Demand loans	94,181,749	91,721,242
Mortgages	<u>25,381,195</u>	<u>26,599,939</u>
	119,562,944	118,321,181
Less provision for impairment of loans and advances (Note 8)	<u>(13,160,170)</u>	<u>(11,243,019)</u>
	<u>106,402,774</u>	<u>107,078,162</u>

The weighted average effective interest rate on productive loans stated at amortised cost at June 30, 2006 was 9.73% (2005 - 9.73%).

The aggregate amount of interest not accrued on non-performing loans amounted to \$16,916,885 (2005 \$15,538,622).

## Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2006

(expressed in Eastern Caribbean dollars)

### 8 Provision for impairment of loans and advances

Movement in provision for impairment are as follows:

	2006 \$	2005 \$
At beginning of year	11,243,019	12,296,211
Loans written off during the year	(73,909)	(2,036,069)
Recoveries during the year	(8,940)	(17,123)
Impairment losses on loans and advances	<u>2,000,000</u>	<u>1,000,000</u>
At end of year	<u>13,160,170</u>	<u>11,243,019</u>

### 9 Investment securities

	2006 \$	2005 \$
<b>Available-for-sale</b>		
Equity securities - at fair value:		
- Listed	143,330	123,330
- Unlisted	<u>1,124,010</u>	<u>1,211,523</u>
Total securities available-for-sale	<u>1,267,340</u>	<u>1,334,853</u>
<b>Held-to-maturity</b>		
Debt securities - at amortised cost:		
- Unlisted	5,921,565	<u>6,761,812</u>
Total securities held-to-maturity	<u>5,921,565</u>	<u>6,761,812</u>

The weighted average effective interest rate on securities held to maturity stated at amortised cost at June 30, 2006 was 5.94% (2005 - 5.35%).

## Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements  
June 30, 2006

(expressed in Eastern Caribbean dollars)

### 10 Property, plant and equipment

	Land \$	Buildings \$	Furniture and Equipment \$	Motor Vehicles \$	Total \$
<b>At June 30, 2004</b>					
Cost	143,748	5,947,007	1,721,335	138,950	7,951,040
Accumulated depreciation	-	(1,021,175)	(1,600,772)	(121,872)	(2,743,819)
Net book amount	143,748	4,925,832	120,563	17,078	5,207,221
<b>Year ended June 30, 2005</b>					
Opening net book amount	143,748	4,925,832	120,563	17,078	5,207,221
Additions in the year	40,527	9,750	41,574	-	91,851
Depreciation charge	-	(119,135)	(76,157)	(17,078)	(212,370)
Closing net book amount	184,275	4,816,447	88,980	-	5,089,702
<b>At June 30, 2005</b>					
Cost or valuation	184,275	5,056,757	1,765,909	178,950	8,045,891
Accumulated depreciation	-	(1,140,310)	(1,676,929)	(178,950)	(2,996,189)
Net book amount	184,275	4,816,447	88,980	-	5,089,702
<b>Year ended June 30, 2006</b>					
Opening net book amount	184,275	4,816,447	88,980	-	5,089,702
Additions in the year	-	26,553	356,344	-	382,897
Depreciation charge	-	(119,666)	(138,701)	-	(258,367)
Closing net book amount	184,275	4,723,334	306,623	-	5,214,232
<b>At June 30, 2006</b>					
Cost or valuation	184,275	5,983,310	2,122,253	138,950	8,428,788
Accumulated depreciation	-	(1,259,976)	(1,815,630)	(138,950)	(3,214,556)
Net book amount	184,275	4,723,334	306,623	-	5,214,232

The title to the land on which the office building is situated is still being discussed with other government agencies.

## Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements  
June 30, 2006

(expressed in Eastern Caribbean dollars)

### 11 Other assets

	2006 \$	2005 \$
Other receivables	958,416	742,518
Less provision for impairment on receivables	<u>(78,893)</u>	<u>.....</u>
Prepayments	879,523 9,740	742,318 <u>16,803</u>
	<u>889,263</u>	<u>759,321</u>

### 12 Due to customers

	2006 \$	2005 \$
Fixed deposits	8,665,921	7,259,526
Refundable deposits	1,541,073	1,469,765
Loan prepayments	<u>857,403</u>	<u>854,023</u>
	<u>11,064,397</u>	<u>9,583,314</u>

All fixed deposits carry fixed interest rates. The weighted average effective interest rate of fixed deposits at June 30, 2006 was 5.76% (2005 - 5.51%).

### 13 Borrowed Funds

	2006 \$	2005 \$
Caribbean Development Bank	58,014,186	57,153,221
International Fund for Agricultural Development	540,235	883,270
Caisse Centrale De Co-operation Economique	978,220	1,173,210
Dominica Social Security	15,660,271	16,658,112
Republic of China	3,317,431	3,636,804
European Investment Bank	<u>9,372,989</u>	<u>11,031,828</u>
	<u>87,883,332</u>	<u>90,536,454</u>

These loans earn interest at rates ranging from 1% to 8% and are guaranteed by the Government of Dominica.

## Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2006

(expressed in Eastern Caribbean dollars)

### 14 Other liabilities

	2006 \$	2005 \$
Grants	572,101	394,417
Agency liabilities	589,218	989,043
Dividends payable	250,000	377,332
Others	<u>1,573,366</u>	<u>1,176,741</u>
	<u>2,984,685</u>	<u>3,437,533</u>

Grants include funds received from European Development Fund amounting to \$155,940 (2005 - \$155,940) for institutional strengthening and funds from European Union \$436,161 (2005 - \$238,477) for the benefit of the Bank's customers.

Agency liabilities are funds issued to the Bank by the Government of Dominica and other local agencies to be used for specific purposes, and for which the Bank acts as executing and collecting agent. The Bank earns agency fees as prescribed by contractual agreement. The funds belong to the Government of Dominica and local agencies.

### 15 Share capital

	2006 \$	2005 \$
Authorized: 5,000,000 ordinary shares with a \$5 par value		
Issued and fully paid: 3,509,526 ordinary shares	<u>17,547,631</u>	<u>17,547,631</u>

Section 16A of Chapter 74:03 of the Laws of Dominica empowers the Bank to redeem its shares at any time after the expiration of ten years from the date of issue. Shares issued to the Government of Dominica are not redeemable.

## Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2006

(expressed in Eastern Caribbean dollars)

### 16 Reserves

	2006 \$	(restated) 2005 \$
General reserve	88,234	88,234
Statutory reserve	3,938,308	3,727,294
Special reserves	1,394,414	1,303,055
Revaluation reserve - available-for-sale investments	(479,990)	(412,475)
	<u>4,940,966</u>	<u>4,706,108</u>

Movements in reserves were as follows:

	2006 \$	2005 \$
<b>General reserve</b>		
At beginning and end of year	<u>88,234</u>	<u>88,234</u>

Prior to July 1, 1978, the Government of Dominica paid certain administrative expenses of the Bank. The Government decided to waive the amount of \$88,234 due to it and instructed the Bank to create a general reserve for this amount.

	2006 \$	2005 \$
<b>Statutory reserve</b>		
At beginning of year	3,727,294	3,727,294
Transfer from retained earnings	<u>211,014</u>	.....
At end of year	<u>3,938,308</u>	<u>3,727,294</u>

This represents twenty-five percent (25%) of the net earnings of the Bank for each financial year allocated to the reserve account as required by Section 20 of Chapter 74:03 of the Laws of the Dominica Revised Edition.

	2006 \$	2005 \$
<b>Special reserves</b>		
At beginning of year	1,303,055	1,545,621
Foreign exchange loss utilization	(10,785)	(339,450)
Transfer from retained earnings	<u>102,144</u>	<u>96,884</u>
At end of year	<u>1,394,414</u>	<u>1,303,055</u>

# Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2006

(expressed in Eastern Caribbean dollars)

## 16 Reserves... continued

Under the provision of Caribbean Development Bank (CDB) loan 16/SFR-D Section 9 (9) for agricultural production, the Bank is required to set aside an amount representing 1/3 of earned interest per annum on each sub-loan. This amount is to be used in such a manner as the CDB may from time to time determine. Total amount of reserve under this category as at June 30, 2006 is \$441,122 (2005 - \$441,122).

Special reserves include accumulated transfers from retained earnings based on European Investment Bank Loan Agreement Section 0.07 requiring interest received by the Bank on sub-loans in excess of 8% per annum to be credited on a special account called Foreign Exchange Equalization Fund (FEFF). The balance on the FEFF shall attract interest at an annual rate corresponding to the monthly rate payable by the Bank, for deposits in Eastern Caribbean Dollars of equivalent size. Total amount of reserve under this category as at June 30, 2006 is \$953,292 (2005 - \$861,933).

	2006	(restated) 2005
	\$	\$
<b>Revaluation reserve - available-for-sale investments</b>		
At beginning of year	(412,475)	(412,475)
Fair value adjustments	(67,515)	-
At end of year	<u>(479,990)</u>	<u>(412,475)</u>

## 17 Net interest income

	2006	2005
	\$	\$
<b>Interest and similar income</b>		
Loans and advances	9,918,861	9,327,428
Deposits with banks	556,942	544,949
	<u>10,475,803</u>	<u>9,872,377</u>
<b>Interest expense and similar charges</b>		
Long term debt	4,225,440	4,150,144
Interest on deposits	405,154	355,618
	<u>4,630,594</u>	<u>4,505,762</u>



## Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2006

(expressed in Eastern Caribbean dollars)

### 18 Other operating income

	2006	2005
	\$	\$
Agency fees	143,977	143,305
Administrative fees	30,000	30,000
Gain on disposal of property, plant and equipment	2,000	-
Others	<u>402,356</u>	<u>402,910</u>
	<u>578,333</u>	<u>576,215</u>

### 19 Other operating expenses

	2006	(restated) 2005
	\$	\$
Staff costs (Note 21)	2,303,376	2,208,600
Administrative expenses (Note 20)	931,932	825,780
Building occupancy expenses	493,818	437,560
Depreciation (Note 10)	258,367	212,370
Loss (gain) on foreign exchange	<u>(399,066)</u>	<u>2,849,261</u>
	<u>3,588,427</u>	<u>6,533,580</u>

### 20 Administrative expenses

	2006	2005
	\$	\$
Directors emoluments	171,229	206,960
Advertising	143,270	92,216
Repairs and maintenance	116,595	97,284
Legal and professional fees	103,640	53,386
Printing, stationery, and office supplies	94,841	88,038
Telephone, postage and fax	82,687	59,760
Provision for impairment on other receivables	78,893	-
Litigation charges	57,500	-
Subscriptions and donations	30,325	171,898
Motor vehicle expenses	27,214	31,858
Annual report	18,995	8,743
Insurance	7,905	7,616
Miscellaneous expenses	<u>6,838</u>	<u>8,030</u>
<b>Total administrative expenses</b>	<u>931,932</u>	<u>825,780</u>

## Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2006

(expressed in Eastern Caribbean dollars)

### 21 Staff costs

	2006	(restated) 2005
	\$	\$
Salaries and wages	1,747,715	1,860,785
Social security costs	102,119	104,661
Group insurance	43,143	45,162
Other staff costs	410,399	198,012
	<u>2,303,376</u>	<u>2,208,600</u>

### 22 Dividends

The Bank declared 5% dividends amounting to \$250,000 with respect to the ordinary shares held by the Dominica Social Security.

Subsequently, on December 15, 2005, the Board of Directors with the approval of the stockholder reversed the dividend declared in 2005 to the Government of Dominica amounting to \$627,382.

### 23 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances with less than 3 months maturity:

	2006	2005
	\$	\$
Cash and balances with other banks	2,963,879	2,147,297
Treasury bills	2,456,019	2,125,723
	<u>5,419,898</u>	<u>4,273,020</u>



## Dominica Agricultural Industrial and Development Bank

### Notes to Financial Statements

June 30, 2006

---

(expressed in Eastern Caribbean dollars)

#### 24 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. A number of banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions, at market rates.

At the year end, Directors of the Bank and companies in which they have an interest had loans with the Bank of \$2,059,276 (2005 - \$2,133,504) as well as amounts on fixed deposit amounting to \$60,000 (2005 - \$10,000).

In 2006, the total remuneration and dividends paid to Directors and key management personnel was \$996,785 (2005 - \$1,768,335). Included in the figure for 2005 is gratuity payment of \$690,526 paid to four (4) staff members, three (3) of which had average years of service of twenty-eight (28) years.

The Bank outstanding obligations to Dominica Social Security, a stockholder amounts to \$15,660,271 (2005 - 16,658,117)

#### 25 Contingent liabilities and commitments

##### Loans and advances

As at year-end, loans and advances approved by the Bank but not yet disbursed, amounted to approximately \$885,145; (2005 - \$1,216,781).

##### Legal

The Bank is the defendant in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the results of such actions will not have a material effect on the Bank's financial position.

#### 26 Taxation

Under the provision of Chapter 74:03 Sections 32 of the Laws of Dominica, the Bank is exempted from the payment of income tax.



## Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2006

---

(expressed in Eastern Caribbean dollars)

### 27 Prior period adjustments

Prior period adjustments relate to the following:

- i. In prior years' movements in fair value of available-for-sale investments were recognized in the statement of income. Starting 2006, the Bank adopts International Accounting Standards (IAS) 39, *Financial Instruments: Recognition and Measurement*, where available-for-sale financial assets are carried at fair value and gains and losses arising from changes in the fair value are recognized directly in equity. This change has been accounted for retrospectively, and the comparative financial statements for 2005 have been restated. The effect of the change is to increase retained earnings and to decrease the reserve account by \$412,475, which is the amount of adjustment relating to periods prior to 2005.
- ii. The Bank has gratuity obligations to employees who have rendered service for more than ten (10) years. As at June 30, 2006, the Bank has an accumulated gratuity obligation of \$1,088,872. The provision for gratuity applicable to 2005 and prior years has been adjusted retrospectively, and the comparative financial statements for 2005 have been restated. The effect of the change is to increase net income of 2005 by \$745,576, and decrease the retained earnings applicable to years prior to 2005 by \$1,367,127.

The DAIDB's niche in the local financial landscape is shaped by its mandate. Its main objective is to focus on financing start-up and expansion of business enterprises with potential for successfully and sustainably contributing to the generation of income and employment in the economy. Over the years the Bank has gained much experience and skill in development credit. In the coming year there will be need to increasingly draw on credit assessment skills as the ongoing economic recovery process will require a renewed focus on providing credit to the productive sectors.

In this regard some of the activities to be carried out in the new year will include:

- further reduction of non-performing loans and improving the internal policy environment in order to position the Bank to expand its contribution to economic development.
- new investments in the tourism industry, to take advantage of increasing confidence in prospects for growth motivated by infrastructural improvements including the airport, as well as the unveiling of the Draft National Tourism Plan.
- revival of investment activity by highly productive farmers in the banana sector as a result of the region's exploitation of the niche market for 'fair trade' bananas in Europe.
- increased credit for non-banana agricultural activities where market prospects are favourable.
- promotion of investments by youth in agriculture and other business enterprises.
- participation in housing expansion with a new concessionary line of credit for low income housing.
- joint venture project with other development partners for a refrigerated containerized cargo vessel.
- preparation of a new strategic plan for the organization.



**PART VII STAFF OF DAIDB**

**STAFF MEMBERS as at June 30, 2006**

**OFFICE OF THE GENERAL MANAGER**

Mrs. E. Harris-Charles, Ph.D., M.Sc., M.A., B.A.	General Manager, Ag.
Ms. R. Thomas, B.Sc.	Executive Secretary
Ms. G. Edwards	File Clerk
Mr. G. Nicholls	Office Attendant

**LEGAL DIVISION**

Mr. A. Commodore, Cert. P.A., LL.M., L.E.C., LL.B.	Legal Counsel
Ms. N. Winston	Bank Officer

**INVESTMENTS DIVISION**

Mr. P. Moses, MBA, B.Com.	Senior Manager Investments
Mrs. M. John Rose, M.Sc., B.Sc.	Manager Projects
Mr. M. Paul, MBA	Manager Recoveries
Mrs. M. Abel, B.Sc.	Asst. Manager, Projects
Ms. J. Dechausay, B.Sc.	Senior Projects Officer
Mrs. P. Shillingford-Chambers, B.Sc.	Project Officer 1
Mr. F. Fabien, Dip. Agriculture	Project Officer
Mr. A. H. LeBlanc, Cert. Bus. Admin.	Project Officer
Mrs. R. Xavier	Loans Officer
Mrs. M. Martin	Loans Officer (up to Nov. 2005)
Ms. P. Etienne, B.Sc.	Admin Officer/ Securities
Ms. M. Royer	Securities Officer
Ms. E. Alfred, Cert. Bus. Admin.	Bank Officer, Projects
Mr. C. Lloyd	Recoveries
Ms. G. Shillingford	Senior Bank Officer
Mr. C. Samuel	Bank Officer, Recoveries
Mr. A. Thomas	- Bank Officer, Projects

**ACCOUNTS AND FINANCE DIVISION**



Ms. V. E ABRAHAM, C.G.A., B.A.

MANAGER FINANCE

Mrs. I. BRUNO, CERT. BUS. ADMIN.

ASSISTANT ACCOUNTANT

Ms. A. DUPIGNY, CERT. BUS. ADMIN.

SENIOR BANK OFFICER,  
ACCOUNTS

Mr. K. Shillingford

Senior Bank Officer,  
Accounts

Mr. K. Albert

Bank Officer, Accounts

Ms. H. Sylvester

Bank Officer, Accounts

### CORPORATE SERVICES

Mr. C. Carty, FMAAT

Deputy General Manager

Ms. M. Lewis

Customer Service Rep.

Mrs. L. Gonzalez Peltier-John, B.Sc.

Administrative  
Officer, MIS

Mr. K. Sylvester, M.C. P.

Senior Bank Officer, MIS

### HUMAN RESOURCE UNIT

Mrs. U. McDowell-Job, B.A.

Human Resource  
Manager

TABLE 1

SUMMARY OF LOAN/ QUASI-EQUITY APPROVALS BY SECTOR 2002 - 2006

SECTOR	2006		2005		2004		2003		2002	
	\$	%	\$	%	\$	%	\$	%	\$	%
LOANS										
AGRICULTURE	1,400,463	8.7%	1,375,543	8.0%	2,452,289	11.4%	1,548,168	8.8%	1,683,313	8.3%
MANUF, SERVICES & TRANSP.	1,008,749	6.3%	3,086,731	17.9%	3,824,007	17.8%	1,509,779	8.5%	585,679	2.9%
TOURISM	2,382,052	14.8%	4,608,137	26.7%	1,577,000	7.3%	351,995	2.0%	1,061,993	5.2%
EDUCATION	6,070,673	37.8%	3,916,675	22.7%	7,273,306	33.9%	7,297,596	41.3%	7,963,156	39.1%
HOUSING	3,638,161	22.6%	2,955,530	17.1%	5,422,047	25.2%	4,961,310	28.1%	4,636,424	22.8%
PERSONAL & OTHER	1,563,645	9.7%	1,337,376	7.7%	926,165	4.3%	1,989,884	11.3%	4,433,963	21.8%
SUB-TOTAL	16,063,744	100.0%	17,279,991	100.0%	21,474,814	100.0%	17,658,732	100.0%	20,364,528	100.0%
QUASI-EQUITY										
MANUF, SERVICES & TRANSP.										
TOURISM										
SUB-TOTAL										
TOTAL	16,063,744		17,279,991		21,474,814		17,658,732		20,364,528	



TABLE 2

SUMMARY OF LOAN/QUASI-EQUITY DISBURSEMENTS BY SECTOR 2002 - 2006

SECTOR	2006		2005		2004		2003		2002	
	\$	%	\$	%	\$	%	\$	%	\$	%
AGRICULTURE	1,254,569	7.5%	925,386	5.4%	1,584,370	7.4%	1,332,466	7.5%	1,589,388	7.8%
MANUF. SERVICES & TRANSP.	1,118,366	6.7%	3,322,207	19.2%	4,557,497	21.2%	2,204,681	12.5%	767,965	3.8%
TOURISM	3,343,375	20.1%	3,019,808	17.5%	605,240	2.8%	672,721	3.8%	3,917,428	19.2%
EDUCATION	5,493,374	33.0%	5,461,699	31.6%	5,819,807	27.1%	6,533,122	37.0%	5,629,393	27.6%
HOUSING	3,823,031	23.0%	2,945,507	17.0%	2,232,956	10.4%	5,792,984	32.8%	4,049,118	19.9%
PERSONAL & OTHER	1,615,689	9.7%	1,480,827	8.6%	844,275	3.9%	2,027,497	11.5%	3,876,222	19.0%
SUB-TOTAL	16,648,404	100.0%	17,155,434	99.3%	15,644,145	77.8%	18,563,471	105.1%	19,829,514	97.4%
QUASI-EQUITY										
MANUF. SERVICES & TRANSP.										
TOURISM							979,148			
SUB-TOTAL							979,148			
TOTAL	16,648,404		17,155,434		15,644,145		19,542,619		19,829,514	

TABLE 3  
SECTOR PERFORMANCE INDICATORS

2006

ITEM	AGRICULTURE	MANUF. SERV & TRANSP.	TOURISM	HOUSING	EDUCATION	PERSONAL & OTHER	TOTAL
No. of Loans Granted	123	40	15	99	217	156	650
Value of Loans (EC\$)	1,400,463	1,008,749	2,382,052	3,638,161	6,070,673	1,563,645	16,063,744
Estimated No. of Jobs Created	320	82	56	217	-	-	675
Average Loan Size (EC\$)	11,386	25,219	158,803	36,749	27,975	10,023	24,713
No. Of Loans:							
Women	20	17	1	48	142	70	298
Men	103	23	12	50	75	86	349
Groups	0	0	0	0	0	0	0
Partnership	0	0	0	0	0	0	0
Cooperative	0	0	0	0	0	0	0
Company	0	0	2	1	0	0	3
No. Of Loans to:							
Roseau & Environs	13	12	2	35	69	67	198
Rural Areas	110	28	13	64	148	89	452

TABLE 4

**AGRICULTURE & FISHING LOAN APPROVALS BY SUBSECTOR  
2005 - 2006**

LOAN SCHEME	2006			2005		
	NO.	AMOUNT	%	NO.	AMOUNT	%
<b>CROPS</b>						
Bananas	26	192,358	14	26	251,520	18
Ginger	0	0	0	0	0	0
Hot Peppers	1	4,000	0	1	6,700	0
Passion Fruit	1	5,370	0	0	0	0
Plantain	1	5,000	0	0	0	0
Ornamentals (Floriculture)	0	0	0	0	0	0
Mixed crops	15	70,826	5	22	102,869	7
Pineapples	0	0	0	0	0	0
Corn	0	0	0	0	0	0
	0	0	0	0	0	0
<b>Sub-Total</b>	<b>44</b>	<b>277,554</b>	<b>20</b>	<b>49</b>	<b>361,089</b>	<b>26</b>
<b>ROOT CROPS</b>						
Dasheen	2	7,500	1	2	6,000	0
Irish Potatoes	0	0	0	3	11,714	1
Sweet Potatoes	0	0	0	0	0	0
Tannia	0	0	0	0	0	0
Yam	0	0	0	0	0	0
Mixed Root Crops	4	17,000	1	7	25,344	2
<b>Sub-Total</b>	<b>6</b>	<b>24,500</b>	<b>2</b>	<b>12</b>	<b>43,058</b>	<b>3</b>
<b>TREE CROPS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>VEGETABLES</b>	<b>13</b>	<b>51,663</b>	<b>4</b>	<b>7</b>	<b>53,722</b>	<b>4</b>
<b>FISHING</b>						
Marine Fishing	14	294,810	21	18	180,115	13
Prawns	0	0	0	0	0	0
<b>Sub-Total</b>	<b>14</b>	<b>294,810</b>	<b>21</b>	<b>18</b>	<b>180,115</b>	<b>13</b>
<b>LIVESTOCK</b>						
Beef	0	0	0	2	35,000	3
Dairy	0	0	0	0	0	0
Pigs	4	30,518	2	4	36,841	3
Poultry	2	17,200	1	3	19,000	1
Small Stock	0	0	0	0	0	0
Bees	0	0	0	1	3,000	0
Other (vet supplies)	0	0	0	0	0	0
<b>Sub-Total</b>	<b>6</b>	<b>47,718</b>	<b>3</b>	<b>10</b>	<b>93,841</b>	<b>7</b>
<b>OTHER</b>						
Land Purchase	6	162,184	12	8	313,882	23
Drainage/Irrigation	0	0	0	0	0	0
Farm Equipment	2	6,082	0	0	0	0
Farm Building	6	27,420	2	1	5,500	0
Farm Road	0	0	0	1	14,491	1
Farm Vehicle:						
Purchase	18	456,932	33	5	114,709	8
Insurance	0	0	0	0	0	0
Repair	4	16,500	1	10	50,499	4
Agro-processing	0	0	0	1	3,637	0
Greenhouse	2	27,100	2	2	63,500	5
Marketing	2	8,000	1	4	62,500	5
Miscellaneous (Bayoil distillery)	0	0	0	1	15,000	1
NPPA	0	0	0	0	0	0
<b>Sub-Total</b>	<b>40</b>	<b>704,218</b>	<b>50</b>	<b>33</b>	<b>643,717</b>	<b>47</b>
<b>TOTAL</b>	<b>123</b>	<b>1,400,463</b>	<b>100</b>	<b>129</b>	<b>1,375,542</b>	<b>100</b>



**TABLE 7**  
**HOUSING LOAN APPROVALS BY PURPOSE**  
**2002 - 2006**

PURPOSE	2006			2005			2004			2003			2002		
	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%
New Construction	17	1,157,512	32	19	924,295	31	23	1,870,978	35	38	3,886,070	78	29	2,941,540	63
Home Improvement	58	1,042,330	29	40	545,452	18	49	702,069	13	79	1,020,111	21	64	1,017,800	22
Home Purchase	5	416,411	11	4	868,403	29	2	187,000	3	2	55,129	1	6	677,084	15
Special Mortgage Proj.	19	1,021,908	28	22	617,380	21	3	2,662,000							
TOTAL	99	3,638,161	100	85	2,955,530	100	77	5,422,047	51	119	4,961,310	100	99	4,636,424	100

**TABLE 9**  
**PERSONAL LOAN APPROVALS BY PURPOSE**  
**2002 - 2006**

PURPOSE	2006			2005			2004			2003			2002		
	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%
Furniture	2	10,940	1	3	18,297	1	9	68,825	7	8	83,208	4	44	293,445	7
Vehicle	14	341,976	22	14	380,400	28	5	162,000	17	12	350,183	18	23	538,511	12
Vehicle Repair	18	139,999	9	15	122,277	9	13	55,367	6	19	87,393	4	56	313,847	7
Commercial	14	123,974	8	8	66,859	5	5	36251	4	8	65500	3	23	451548	23
Residential Land	12	239,308	15	3	143,555	11	1	24,912	3	9	204,311	10	23	717,913	36
Personal expenses	38	241,007	15	50	275,074	21	55	297,686	32	87	411,443	21	-	-	-
Refinancing	7	95,915	6	3	35,395	3	3	46,525	5	18	229,859	12	-	-	-
School supplies	4	15,052	1	7	49,587	4	5	26,417	3	12	48,368	2	-	-	-
Computers	2	22,500	1	3	12,241	1			0			0			
Travel	13	99,300	6	8	25,644	2			0			0			
Medical	0		0	3	10,500	1			0			0			
Miscellaneous	32	233,674	15	33	197,549	15	47	208,181	22	90	509,618	26	275	2,118,700	48
TOTAL	156	1,563,645	100	150	1,337,376	100	143	926,165	100	263	1,989,883	100	444	4,433,964	132

TABLE 8

## STUDENT LOAN APPROVALS BY COURSE OF STUDY (2002 - 2006)

COURSE OF STUDY	2006			2005			2004			2003			2002		
	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%
Accounting	17	603,249	10	12	466,501	12	17	751,925	10	21	206,962	3	10	478,981	6
Agricultural Science	8	88,450	1	4	57,100	1	7	83,891	1	9	128,419	2	7	143,250	2
Animal Science	0	0	0	0	0	0	1	95,000	1	0	0	0	3	98,986	1
Architecture	4	93,990	2	0	0	0	2	147,000	2	6	174,600	2	9	151,862	2
Aviation	0	0	0	0	0	0	1	95,000	1	2	28,300	0	0	0	0
Banking & Finance	0	0	0	4	165,982	4	5	280,700	4	8	356,715	5	2	32,600	0
Business & Management	36	945,584	16	34	757,511	19	23	844,900	12	67	1,503,581	21	48	2,343,179	29
Biology/Marine Biology	2	190,000	3	2	21,300	1	13	212,201	3	9	288,600	4	3	37,900	0
Building Surveying	2	23,800	0	2	154,000	4	0	0	0	0	0	0	0	0	0
Chemistry	0	0	0	0	0	0	4	216,300	3	0	0	0	3	97,300	1
Chemical Engineering	5	283,920	5	0	0	0	2	51,622	1	1	89,000	1	1	16,300	0
Civil Engineering	2	100,500	2	4	74,885	2	5	101,121	1	6	111,455	2	8	230,300	3
Computer Science	16	471,797	8	7	296,992	8	24	880,920	12	29	726,914	10	21	940,277	12
Dietetics & Nutrition	0	0	0	0	0	0	0	0	0	1	70,640	1	0	0	0
Economics	3	139,300	2	7	143,023	4	4	52,420	1	7	219,572	3	9	362,600	5
Education	11	141,440	2	9	222,203	6	8	160,751	2	12	236,375	3	7	284,000	4
Electric/Electronic Eng.	6	195,050	3	4	49,750	1	2	29,464	0	13	274,723	4	4	128,994	2
Entertainment Technology	1	70,000	1	1	7,000	0	0	0	0	1	30,000	0	0	0	0
Environmental Studies	1	18,495	0	3	147,500	4	3	146,200	2	5	266,766	4	3	139,300	2
Fashion Design	0	0	0	0	0	0	1	6,700	0	1	16,300	0	1	12,000	0
Finance	2	46,760	1	0	0	0	0	0	0	0	0	0	0	0	0
Geography	1	10,000	0	0	0	0	4	129,750	2	3	81,500	1	1	40,000	1
History	0	0	0	0	0	0	1	6,750	0	1	3,000	0	0	0	0
International Relations	1	11,000	0	1	41,800	1	4	247,973	3	2	109,000	1	0	0	0
Law/Criminal Justice	11	518,819	9	3	75,600	2	5	300,589	4	12	445,486	6	6	330,778	4
Language/Linguistics	2	107,412	2	3	123,000	3	3	127,600	2	4	82,300	1	1	48,890	1
Liberal arts	1	30,000	0	0	0	0	1	60,000	1	2	7,999	0	0	0	0
Marketing	2	34,286	1	1	16,300	0	2	53,200	1	3	205,000	3	3	134,118	2
Maritime Training	2	9,700	0	0	0	0	0	0	0	0	0	0	0	0	0
Mass Communication	4	186,050	3	1	34,000	1	4	186,300	3	3	200,900	3	1	81,009	1
Mechanical Engineering	3	82,450	1	3	24,017	1	3	91,500	1	6	71,420	1	6	140,734	2
Medical & Para-Medical	10	447,300	7	10	400,300	10	11	519,050	7	16	420,308	6	18	795,468	10
Natural/Applied Science	4	97,800	2	3	106,136	3	2	190,000	3	2	7,500	0	5	260,750	3
Nursing	27	479,509	8	10	220,214	6	8	217,650	3	2	11,000	0	12	107,900	1
Pharmacy	1	90,000	1	0	0	0	2	84,600	1	0	0	0	3	79,088	1
Political Science	0	0	0	0	0	0	0	0	0	2	49,700	1	0	0	0
Psychology	6	62,750	1	3	84,250	2	11	499,734	7	8	348,176	5	7	258,543	3
Health Services Admin.	4	240,000	4	1	63,000	2	0	0	0	0	0	0	0	0	0
Hospitality Management	17	152,520	3	4	44,300	1	2	150,000	2	1	95,000	1	2	55,000	1
Rural Development	0	0	0	1	6,750	0	0	0	0	0	0	0	0	0	0
Secretarial Studies	2	10,909	0	5	23,820	1	2	54,500	1	1	2,000	0	0	0	0
Social Science	1	50,000	1	0	0	0	2	80,005	1	3	88,050	1	2	66,300	1
Social Work	0	0	0	0	0	0	2	68,000	1	5	154,300	2	0	0	0
Sociology	0	0	0	0	0	0	3	17,390	0	11	72,135	1	0	0	0
IT/Telecommunications	1	25,334	0	3	69,942	2	2	32,600	0	5	113,900	2	2	66,750	1
Theology	1	12,500	0	2	19,500	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>217</b>	<b>6,070,673</b>	<b>100</b>	<b>147</b>	<b>3,916,675</b>	<b>100</b>	<b>196</b>	<b>7,273,306</b>	<b>100</b>	<b>290</b>	<b>7,297,596</b>	<b>100</b>	<b>208</b>	<b>7,963,156</b>	<b>100</b>

TABLE 10

## FINANCIAL PROFILE 2002 - 2006

Authorised Capital: \$25,000,000

OWNERSHIP AT JUNE 30, 2004	PAID-UP CAPITAL		% of TOTAL		
Government of Dominica	\$12,547,630		72		
Dominica Social Security	\$5,000,000		28		
Operations	2006	2005 Restated	2004	2003	2002
Return on Average Assets (%)	0.67	-1.25	1.07	-1.51	0.7
Debt/Equity	3.76	4.07	3.30:1	3.29:1	2.93:1
Return on Equity (%)	3.61	-7.07	4.91	-6.97	3.06
Return on Share Capital (%)	4.81	-8.97	7.55	-10.31	4.89
Gross Loan Interest Yield (%)	8.30	7.88	8.32	7.08	8.33
Expense/Income Ratio	0.92	1.15	0.88:1	0.86:1	0.82:1
Total Income Yield on Assets (%)	8.82	8.31	8.51	0.08	8.41
Non-performing loans as a percentage of total loans	33.95	32.46	33.06	40.02	-
Provision as a % of non-performing loans	32.75	29.62	31.27	23.33	-
Net Loans (\$m)	106.40	107.08	106.7	106.5	102.3
Financial Position					
Total Assets (\$m)	125.32	125.80	126.74	120.13	119.80
Long-term Debt (\$m)	87.88	90.56	88.96	85.47	82.30
Net Worth (\$m)	23.39	22.24	26.98	25.9	28.1

